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*Attorneys for the Chapter 11 Debtors and
Debtors In Possession*

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON**

In re:

ASTRIA HEALTH, *et al.*,

Debtors and
Debtors in
Possession.¹

Chapter 11
Lead Case No. 19-01189-11
Jointly Administered

**DEBTORS' NOTICE OF (1) MOTION FOR
APPROVAL OF INTERIM LEASE OF
ASTRIA REGIONAL MEDICAL CENTER
TO THE STATE OF WASHINGTON IN
RESPONSE TO THE COVID-19
PANDEMIC AND (2) REQUEST FOR AN
EMERGENCY HEARING THEREON;
DECLARATIONS OF MICHAEL LANE**

¹ The Debtors, along with their case numbers, are as follows: Astria Health (19-01189-11), Glacier Canyon, LLC (19-01193-11), Kitchen and Bath Furnishings, LLC (19-01194-11), Oxbow Summit, LLC (19-01195-11), SHC Holdco, LLC (19-01196-11), SHC Medical Center - Toppenish (19-01190-11), SHC Medical Center - Yakima (19-01192-11), Sunnyside Community Hospital Association (19-01191-11), Sunnyside Community Hospital Home Medical Supply, LLC (19-01197-11), Sunnyside Home Health (19-01198-11), Sunnyside Professional Services, LLC (19-01199-11), Yakima Home Care Holdings, LLC (19-01201-11), and Yakima HMA Home Health, LLC (19-01200-11).

**NOTICE OF INTERIM LEASE
AND REQUEST FOR
EMERGENCY APPROVAL**

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1 AND NATE WEED IN SUPPORT
2 THEREOF²

3 PLEASE TAKE NOTICE that Astria Health (“Astria”) and SHC Medical
4 Center - Yakima, along with their above-referenced affiliated debtors and debtors in
5 possession (collectively, the “Debtors”), in response to the infectious disease Severe
6 Acute Respiratory Syndrome Coronavirus 2, which is the cause of the ongoing 2019
7 coronavirus global pandemic (“COVID-19”) files the interim lease agreement (the
8 “Interim Lease”), which although still subject to negotiations between the Debtors
9 and DOH, will be substantially in the form of the document attached hereto as Exhibit
10 A, by which the Debtors intend to lease its formerly-operating hospital facility Astria
11 Regional Medical Center (“ARMC”) to the State of Washington Department of
12 Health (acting through the Department of Enterprise Services) (“DOH” and
13 collectively with the Debtors, the “Parties”) for a period of up to 6 months for \$1.5
14 million per month.

15 PLEASE TAKE FURTHER NOTICE that the State of Washington and the
16 DOH are working with the Federal Emergency Management Agency (FEMA) to
17 expand capacity to treat patients infected with COVID-19 in Washington. ARMC,
18 located in Yakima, Washington, is centrally located in the state and is currently a

19
20 ² The Motion, Declarations in Support and Lease will be filed separately.

21 NOTICE OF INTERIM LEASE
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1 closed facility. Accordingly, to prepare to treat more COVID-19 patients in Eastern
2 and Central Washington, the DOH desires to lease ARMC from the Debtors pursuant
3 to the terms of the Interim Lease.

4 **PLEASE TAKE FURTHER NOTICE** that on Sunday, March 29, 2020, the
5 DOH informed the Debtors that the US Public Health Service resources (likely a
6 military hospital unit) desires to begin on-site preparation at ARMC by **March 30,**
7 **2020.** Further, DOH informed the Debtors that the State risks losing critical Federal
8 resources that can be utilized to treat COVID-19 patients if access to a facility cannot
9 be gained by **March 30, 2020.** The Debtors intend to permit such access upon the
10 filing of this Notice.

11 **PLEASE TAKE FURTHER NOTICE** that the Debtors will file an
12 emergency motion (the “Motion”), pursuant to §§ 105(a) and 363(b) of title 11 of the
13 United States Code and Rule 6004 of the Federal Rules of Bankruptcy Procedure,
14 seeking 1) approval of the Interim Lease, *nunc pro tunc* to March 30, 2020, on an
15 interim basis (the “Interim Relief”) and 2) subsequently, approval of the Interim Lease
16 and a formal lease agreement that is being finalize and will be subsequently filed (the
17 “Lease Agreement”) on a final basis. The Motion will be filed on an *emergency basis*
18 to avoid immediate and irreparable harm given the exigencies presented by COVID-
19 healthcare emergency.

20 **PLEASE TAKE FURTHER NOTICE** that the Debtors hereby request that

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1 the Court schedule a hearing on the Motion and the Interim Relief to occur 24 hours
2 after the filing of the Motion.

3 **PLEASE TAKE FURTHER NOTICE** that the desired relief and an original
4 form of the Interim Lease has been shared with counsel for Lapis Advisers, LP
5 (“Lapis”) and UMB Bank, N.A. (“UMB,” and referred to with Lapis as the
6 “Prepetition Secured Creditors”), counsel the Official Committee of Creditors (the
7 “Committee”) and the office of United States Trustee (the “UST”).

8 **PLEASE TAKE FURTHER NOTICE** that the Debtors will serve by email a
9 copy of this Notice and **Exhibit A** on the Prepetition Secured Creditors, the
10 Committee, the UST and any parties, including federal and state governmental
11 entities, that are on the Debtors’ standard service and have agreed to receive service
12 by email.

13 **PLEASE TAKE FURTHER NOTICE** that, upon filing of the Motion and the
14 setting of an emergency hearing on the Motion, the Debtors shall provide email notice
15 of the entry of an order setting a hearing date upon each of the above-mentioned
16 parties and any other parties in interest as the Court directs, including by telephonic
17 notice. The Debtors submit that such notice is sufficient and that no other or further
18 notice need be given. The Debtors will serve notice of a final hearing on the Motion
19 to all parties who have requested service, along with the Motion papers on those
20 parties who had not agreed to receive email service.

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1 **WHEREFORE**, for all the foregoing reasons, the Debtors respectfully request
2 that the Court schedule an emergency hearing on the Motion and grant such further
3 relief as is just.

4 Dated: March 29, 2020

/s/ Sam J. Alberts

JAMES L. DAY (WSBA #20474)
BUSH KORNFELD LLP

SAMUEL R. MAIZEL (Admitted *Pro Hac*
Vice)

SAM J. ALBERTS (WSBA #22255)

SARAH M. SCHRAG (Admitted *Pro Hac*
Vice)

DENTONS US LLP

*Attorneys for the Chapter 11 Debtors and
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EXHIBIT A

**NOTICE OF INTERIM LEASE
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Submitted via email to:
andrew.jenkins@des.wa.gov

March 29, 2020

Mr. Andrew Jenkins
Leasing Manager, Real Estate Services
Department of Enterprise Services
State of Washington

RE: Interim Lease Proposal for Astria Regional Medical Center, Yakima, WA

Mr. Jenkins,

On behalf of our client, Astria Health (the "Landlord"), we've been authorized to present the following terms and conditions of an interim lease agreement ("Interim Lease") with the State of Washington Department of Health acting through the State of Washington Department of Enterprise Services in accordance with its statutory authority (the "Tenant") for the real property located at 110 South 9th Avenue, Yakima, Washington (the "Premises"), also known as the Astria Regional Medical Center (ARMC), as more specifically described below. The terms and conditions contemplated herein are intended to be a binding Interim Lease until cancelled as set forth herein or until a more detailed lease agreement (the "Lease Agreement") between the parties is agreed to and executed. The proposed Interim Lease and the Lease Agreement are subject to Bankruptcy Court approval, which is being sought on an emergency basis with a full hearing to follow.

Landlord: Astria Health

Tenant: State of Washington Department of Health ("DOH"), by and through
State of Washington Department of Enterprise Services ("DES"), both
agencies of the State of Washington.

Premises: The land and improvements known as Astria Regional Medical Center (ARMC) located at 110 South 9th Avenue, Yakima, WA, 98902, containing approximately 289,988 gross square feet on 7 floors (including basement). The Property contains approximately 6.07 acres bound by West Walnut Street to the south, South 10th Avenue to the west, West Chestnut Avenue to the north and South 8th Avenue to the east. Assessor Parcel Numbers are as follows:

181324-31452 – 3.13 acres	181324-42488 – 0.16 acres
181324-31431 – 0.21 acres	181324-42489 – 0.16 acres
181324-31430 – 0.83 acres	181324-42490 – 0.16 acres
181324-31429 – 0.25 acres	181324-42491 – 0.16 acres
181324-31428 – 0.37 acres	181324-42492 – 0.16 acres
181324-42487 – 0.16 acres	181324-42493 – 0.16 acres
	181324-42494 – 0.16 acres

Although ARMC was most recently operated with a capacity of 148 beds, the former license provided for up to 214 beds and Landlord estimates there could be capacity for up to 243 beds with access to oxygen if

configured properly. Tenant should confirm maximum bed capacity based upon its intended use of the Premises.

Commencement Date: The Commencement Date shall be Monday, March 30, 2020, at which time the Tenant and all persons and entities acting by, through, or on behalf of Tenant shall have full access to the Premises. .

Lease Term: This Interim Lease shall expire on September 30, 2020, unless replaced and superseded by the Lease Agreement, terminated in writing by Tenant with at least thirty (30) days' notice, or terminated by the Bankruptcy Court.

Base Rent: One Million Five Hundred Thousand Dollars (\$1,500,000) per month, payable in arrears at the end of each month upon submission of executed vouchers. Landlord must register with the State of Washington's statewide vendor system for payment to be processed; to ensure timely processing and payment, such registration should be completed as soon as possible.

Additional Rent: The Base Rent shall be absolutely net to Landlord so that this Lease shall yield, net to Landlord, the Base Rent specified above during the Term and that all impositions, insurance premiums, utility charges, maintenance, repair and replacement expenses, all expenses relating to compliance with Laws, and all other costs, fees, charges, expenses, reimbursements and obligations of every kind and nature whatsoever relating to the Premises, which accrue during the Term or by reason of events occurring during the Term shall be paid or discharged by Tenant. In the event Tenant fails to pay or discharge any imposition, insurance premium, utility charge, maintenance repair or replacement expense which it is obligated to pay or discharge, Landlord may, but shall not be obligated to pay the same, and in that event Tenant shall immediately reimburse Landlord therefor and pay the same as Additional Rent, and, to the extent permitted by Washington State law, Tenant hereby agrees to indemnify Landlord from and against such impositions, insurance premiums, utility charges, maintenance, repair and replacement expenses, all expenses relating to compliance with Laws, and all other costs, fees, charges, expenses, reimbursements and obligations referred to above.

Utility expense in 2019 were approximately \$172,000 per month. This may or may not be indicative of what Tenant may experience depending on their specific use of the property.

Permitted Use: The Premises shall be used for the purpose of surge capacity to deal with the expected patients from the novel coronavirus pandemic COVID-19, and any related medical purpose including but not limited to providing excess capacity for treatment of non-COVID-19 patients, (collectively, the "Medical Business"). Landlord expressly disclaims and makes no representations and warranties concerning the suitability of the Premises for the Medical Business, including, but not limited to, any governmental approvals required in connection therewith.

Condition of Premises:	<p>Landlord shall deliver the Premises “as-is, where-is” in its current condition without any express or implied representation and/or warranty as to the suitability for Tenant’s intended use. Tenant shall be solely responsible for any and all necessary improvements to the Premises, as well as all maintenance and repair during the term of the Interim Lease.</p> <p>Upon expiration of the lease, Tenant shall, at Tenant’s sole cost and expense, deliver to Landlord possession of the Premises and the existing FF&E, in the same or better condition as the same were in upon delivery of possession thereof at the Commencement Date unless otherwise required by any Lease, agreement of the parties, or Bankruptcy Court order.</p>
Furniture, Fixtures & Equipment:	<p>The Premises contain certain furniture, fixtures and equipment (the “FF&E”), a list of which shall be included as an exhibit to the Interim Lease. As indicated on the exhibit, certain FF&E shall be made available to Tenant during the term of this Interim Lease, the cost of which is included in the Base Rent indicated above. Other FFE and medical equipment may be made available to Tenants upon assumption of equipment leases or through other mechanism or agreement, as agreed to by the parties operating in good faith.</p> <p>Tenant acknowledges that certain FFE is on the Premises pursuant to equipment leases with third-party vendors who may have secured claims. Any such vendors can contact Tenant using the information provided pursuant to the “Notices” section below and to the extent possible Tenant will allow such vendors access to the leased FFE, provided however, that Landlord and all such vendors understand that the Premises will be used for response to the COVID-19 outbreak and access may be extremely limited or not allowed for certain time periods.</p>
Parking:	<p>Tenant shall have exclusive rights to all on-site parking contained within the Premises described above free of charge during the term of the lease.</p>
Notices:	<p>Landlord and Tenant shall each provide the other in writing the contact information for all persons/entities that shall receive notices under this Interim Agreement.</p>
Memorandum of Lease	<p>Landlord and Tenant agree that either party may record a Memorandum of Lease in a mutually-agreeable form for this Interim Lease and for the Lease Agreement.</p>

The terms and conditions contemplated herein are binding until cancelled as stated above or superseded by a more detailed agreement (the “Lease Agreement”) between the parties. The Lease Agreement shall incorporate the terms set forth in this Interim Lease and shall address additional terms and conditions not contemplated herein. This Interim Lease and a full Lease Agreement are subject to Bankruptcy Court approval.

We appreciate your review and consideration of this proposal and look forward to your response. By my signature below, I execute this Interim Lease on behalf of Landlord. If the foregoing terms and conditions meet your approval, please sign for Tenant as indicated below. For convenience, the State of Washington’s standard Lease signature block has been attached. Should you have any questions or concerns, please feel free to contact me directly.

SIGNATURE PAGE FOLLOWS:

Sincerely,

Travis Ives
Senior Director
US Healthcare Capital Markets
Cushman & Wakefield
(858) 334-4041
travis.ives@cushwake.com

CC: John M. Gallagher, President and CEO, Astria Health
Michael Lane, Chief Restructuring Officer, Astria Health
Samuel Maizel (legal counsel for Astria Health), Dentons

READ, REVIEWED BY COUNSEL, AND AGREED TO:

STATE OF WASHINGTON

Department of Health, State of Washington

Acting through the Department of Enterprise Services

By: _____
Seth Wallace, Assistant Director
Real Estate Services
Date: _____

RECOMMENDED FOR APPROVAL:

By: _____
Andrew Jenkins, Leasing Manager
Real Estate Services
Date: _____

APPROVED AS TO FORM:

By: _____
David B. Merchant, Assistant Attorney General
Date: _____